

CITY OF GLADBROOK

Independent Auditors' Reports
Basic Financial Statements
and Supplementary Information
Schedule of Findings

June 30, 2011

CITY OF GLADBROOK

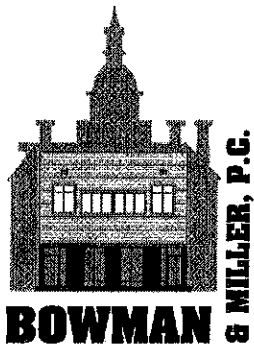
Contents

	<u>Page</u>
Officials	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-9
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 10-11
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 12-13
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 14
Notes to Financial Statements	15-20
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	21-22
Notes to Required Supplementary Information – Budgetary Reporting	23
Other Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1 24-25
Schedule of Indebtedness	2 26-27
Bond and Note Maturities	3 28
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4 29-30
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	31-32
Schedule of Findings	33-35
Staff	36

CITY OF GLADBROOK

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Sash	Mayor	Jan 2012
Roger Luehring	Mayor Pro Tem	Jan 2014
Brad Smoldt	Council Member	Jan 2012
Amanda Gehring	Council Member	Jan 2012
Sam Goos	Council Member	Jan 2014
Betty Dahms	Council Member	Jan 2014
Lori Bearden	Clerk/Treasurer	Indefinite
John Livingston	Attorney	Indefinite



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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James R. Bowman, CPA • jim@bowmanandmillerpc.com
Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Gladbrook, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Gladbrook's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Gladbrook, as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 2, 2011 on our consideration of the City of Gladbrook's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 21 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gladbrook's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

Marshalltown, Iowa
September 2, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Gladbrook provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 17.3%, or approximately \$151,000 from fiscal 2010 to fiscal 2011. Loan proceeds increased \$110,000 and property tax increased approximately \$65,000.
- Disbursements increased 6.4% or approximately \$51,000 in fiscal 2011 from fiscal 2010 in the governmental activities. Debt service increased approximately \$202,000 and capital projects decreased approximately \$154,500.
- The City's total cash basis net assets increased 28.6%, or approximately \$288,000 from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$236,000 and the assets of the business type activities increased by approximately \$52,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases and decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, the City Center movie theater and Matchstick Marvels museum and the Gladbrook Fitness Center. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water and sewer funds, for the operation of the City's movie theater and Matchstick Marvels museum and for the operation of the Gladbrook Fitness Center. These funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$676,991 to \$913,053. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities			
		Year ended June 30,	
		2011	2010
Receipts:			
Program receipts:			
Charges for service	\$	35,625	46,179
Operating grants, contributions and restricted interest		146,149	145,536
Capital grants, contributions and restricted interest		89,827	113,150
General receipts:			
Property tax		307,426	241,964
Local option sales tax		60,388	59,210
Franchise tax		7,282	4,635
Unrestricted interest on investments		4,514	2,263
Loan proceeds		360,000	250,000
Other general receipts		9,859	7,363
Total receipts		<u>1,021,070</u>	<u>870,300</u>
Disbursements:			
Public safety		126,910	116,411
Public works		110,478	117,911
Culture and recreation		48,313	50,112
Community and economic development		8,244	7,353
General government		70,232	68,726
Debt service		304,930	102,860
Capital projects		<u>183,818</u>	<u>338,345</u>
Total disbursements		<u>852,925</u>	<u>801,718</u>
Change in cash basis net assets before transfers		168,145	68,582
Transfers, net		<u>67,917</u>	<u>(11,770)</u>
Change in cash basis net assets		236,062	56,812
Cash basis net assets beginning of year		<u>676,991</u>	<u>620,179</u>
Cash basis net assets end of year	\$	<u>913,053</u>	<u>676,991</u>

The City's total receipts for governmental activities increased by 17.3% or approximately \$151,000. The total cost of all programs and services increased by approximately \$51,000, or 6.4%, with no new programs added.

The increase in receipts was primarily the result of \$61,357 received from the State of Iowa through the Community Development Block grant program, \$65,462 received in additional property taxes and an additional \$110,000 in capital loan note proceeds which were used for the construction of a new daycare facility. These amounts were reflected in the capital grants and contributions, loan proceeds and property taxes.

The cost of all governmental activities this year was approximately \$853,000 compared to approximately \$802,000 last year. However, as shown on the Statement of Activities and Net Assets on pages 10-11, the amount taxpayers ultimately financed for these activities was only \$581,324 because some of the cost was paid by those directly benefited from the programs (\$35,625) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$235,976). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2011 from approximately \$305,000 to approximately \$272,000. The City paid for the remaining "public benefit" portion of governmental activities (\$581,000) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities			
		Year ended June 30,	
		2011	2010
Receipts:			
Program receipts:			
Charges for service:			
Water	\$	178,358	98,745
Sewer		140,923	96,332
Concessions and admissions		114,647	129,416
Memberships		37,975	40,215
Operating grants, contributions and restricted interest		<u>2,712</u>	<u>1,544</u>
Total receipts		<u>474,615</u>	<u>366,252</u>
Disbursements:			
Water		104,102	110,866
Sewer		105,688	89,902
City center		113,918	125,381
Fitness center		<u>30,738</u>	<u>24,609</u>
Total disbursements		<u>354,446</u>	<u>350,758</u>
Change in cash basis net assets before transfers		120,169	15,494
Transfers, net		<u>(67,917)</u>	<u>11,770</u>
Change in cash basis net assets		52,252	27,264
Cash basis net assets beginning of year		<u>332,596</u>	<u>305,332</u>
Cash basis net assets end of year	\$	<u>384,848</u>	<u>332,596</u>

Total business type activities receipts for the fiscal year were approximately \$475,000 compared to approximately \$367,000 last year. Total disbursements were virtually unchanged from the previous year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Gladbrook completed the year, its governmental funds reported a combined fund balance of \$913,053, an increase of \$236,062 from last year's total of \$676,991. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance increased \$83,277 from the prior year to \$688,408. The increase is due to an increase in the property tax levy rate generating additional tax revenue and decreasing transfers out to other funds.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$15,582 to \$52,106 during the fiscal year. The increase was primarily due to a decrease in the amount expended for snow and ice removal.

- The Special Revenue, Local Option Sales Tax Fund cash balance remained at zero due to all revenue being transferred to other funds per the revenue purpose statement approved by the voters.
- The Debt Service Fund cash balance remained approximately the same from 2010. This fund is used to pay off general obligation bonds and notes. In 2011, the City transferred funds from the Local Option Sales Tax Fund, Capital Projects Fund and the Tax Increment Financing Fund to pay a portion of the debt. The City also refinanced the daycare note with a 0% Rural Economic Development Loan.
- The Capital Projects Fund was used to account for the construction of the new daycare facility.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$6,511 to \$105,624, primarily due to an increase in water rates that went into effect on July 1, 2010.
- The Sewer Fund cash balance increased by \$37,577 to \$209,543, primarily due to an increase in sewer rates that went into effect on July 1, 2010.
- The City Center cash balance increased by \$729 to \$1,712 due primarily to the City raising the cost of movie admission.
- The Fitness Center cash balance increased by \$7,435 to \$67,969 due primarily to an increase in fitness center memberships.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended their budget once. The amendment was approved on May 9, 2011 and resulted in an increase in operating disbursements of approximately \$556,000. The amendment was made to provide for additional disbursements in certain City departments, including costs associated with the construction of the new day care facility and the related debt payments.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$770,500 in bonds and other long-term debt, compared to \$722,938 last year, as shown below.

Outstanding Debt at Year-End			
		June 30,	
		2011	2010
General obligation notes	\$	511,500	441,938
Revenue notes		<u>259,000</u>	<u>281,000</u>
Total	\$	<u>770,500</u>	<u>722,938</u>

Debt increased as a result of refinancing general obligation notes for the day care construction project.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The city's outstanding general obligation debt of \$511,500 is below its constitutional debt limit of \$1,949,751.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Gladbrook's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various City activities.

The City is working on a major capital project to replace its existing water supply tower and for improvements to the water delivery infrastructure for its municipal customers. The City has received a \$500,000 Community Development Block Grant and a State Revolving Loan in the amount of \$825,00 to help fund the approximately \$1.3 million project. A rate increase in water usage was implemented to help service the debt.

The City's property tax base appears to be stable and may increase which should allow for little or no change to the current property tax levy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lori Bearden, City Clerk, at 319 2nd Street, Gladbrook, Iowa 50635.

CITY OF GLADBROOK
Statement of Activities and Net Assets-Cash Basis
As of and for the year ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 126,910	32,789	36,370	-
Public works	110,478	317	95,904	1,059
Culture and recreation	48,313	1,131	13,875	-
Community and economic development	8,244	-	-	-
General government	70,232	1,388	-	-
Debt service	304,930	-	-	-
Capital projects	183,818	-	-	88,768
Total governmental activities	852,925	35,625	146,149	89,827
Business type activities:				
Water	104,102	178,358	172	-
Sewer	105,688	140,923	2,342	-
City center	113,918	114,647	-	-
Fitness center	30,738	37,975	198	-
Total business type activities	354,446	471,903	2,712	-
Total	\$ 1,207,371	507,528	148,861	89,827
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Franchise tax				
Unrestricted interest on investments				
Loan proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Expendable:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(57,751)	-	(57,751)
(13,198)	-	(13,198)
(33,307)	-	(33,307)
(8,244)	-	(8,244)
(68,844)	-	(68,844)
(304,930)	-	(304,930)
(95,050)	-	(95,050)
(581,324)	-	(581,324)
-	74,428	74,428
-	37,577	37,577
-	729	729
-	7,435	7,435
-	120,169	120,169
(581,324)	120,169	(461,155)
239,351	-	239,351
19,402	-	19,402
48,673	-	48,673
60,388	-	60,388
7,282	-	7,282
4,514	-	4,514
360,000	-	360,000
9,859	-	9,859
67,917	(67,917)	-
817,386	(67,917)	749,469
236,062	52,252	288,314
676,991	332,596	1,009,587
\$ 913,053	384,848	1,297,901
\$ 52,106	-	52,106
-	30,770	30,770
15,984	-	15,984
844,963	354,078	1,199,041
\$ 913,053	384,848	1,297,901

CITY OF GLADBROOK
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2011

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Capital Projects
Receipts:				
Property tax	\$ 213,562	-	-	-
Tax increment financing	-	-	-	-
Other city tax	5,241	-	60,388	-
Intergovernmental	47,361	95,904	-	61,357
Licenses and permits	785	-	-	-
Charges for service	32,610	-	-	-
Use of money and property	5,631	-	-	-
Special assessments	-	1,059	-	-
Miscellaneous	16,545	316	-	27,411
Total receipts	321,735	97,279	60,388	88,768
Disbursements:				
Operating:				
Public safety	126,910	-	-	-
Public works	17,265	93,213	-	-
Culture and recreation	46,823	-	-	-
Community and economic and development	8,244	-	-	-
General government	70,232	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	183,818
Total disbursements	269,474	93,213	-	183,818
Excess (deficiency) of receipts over (under) disbursements	52,261	4,066	60,388	(95,050)
Other financing sources (uses):				
Loan proceeds	-	-	-	360,000
Sale of capital assets	1,000	-	-	-
Operating transfers in	49,944	11,516	-	77,917
Operating transfers out	(18,600)	-	(60,388)	(202,100)
Total other financing sources (uses)	32,344	11,516	(60,388)	235,817
Net change in cash balances	84,605	15,582	-	140,767
Cash balances beginning of year	609,841	36,524	-	9,750
Cash balances end of year	\$ 694,446	52,106	-	150,517

Cash Basis Fund Balances

Restricted for:				
Streets	\$ -	52,106	-	-
Other purposes	-	-	-	150,517
Assigned for:				
Fire equipment	54,558	-	-	-
Ambulance	62,702	-	-	-
Museum	2,056	-	-	-
Recreational trust	3,982	-	-	-
Unassigned	571,148	-	-	-
Total cash basis fund balances	\$ 694,446	52,106	-	150,517

See notes to financial statements.

Debt Service	Nonmajor	Total
47,459	20,051	281,072
-	19,402	19,402
1,214	497	67,340
-	874	205,496
-	-	785
-	-	32,610
-	233	5,864
-	-	1,059
-	2,170	46,442
48,673	43,227	660,070

-	-	126,910
-	-	110,478
-	1,490	48,313
-	-	8,244
-	-	70,232
304,930	-	304,930
-	-	183,818
304,930	1,490	852,925

(256,257)	41,737	(192,855)
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-	-	360,000
-	-	1,000
256,257	-	395,634
-	(46,629)	(327,717)
256,257	(46,629)	428,917
-	(4,892)	236,062
-	20,876	676,991
-	15,984	913,053

-	-	52,106
-	15,984	166,501
-	-	54,558
-	-	62,702
-	-	2,056
-	-	3,982
-	-	571,148
-	15,984	913,053

CITY OF GLADBROOK
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2011

	Enterprise				
	Water	Sewer	City Center	Fitness Center	Total
Operating receipts:					
Charges for service	\$ 178,358	140,923	114,647	37,975	471,903
Total operating receipts	178,358	140,923	114,647	37,975	471,903
Operating disbursements:					
Business type activities	104,102	75,258	113,918	30,738	324,016
Total operating disbursements	104,102	75,258	113,918	30,738	324,016
Excess of operating receipts over operating disbursements	74,256	65,665	729	7,237	147,887
Non-operating receipts (disbursements):					
Interest on investments	172	342	-	198	712
Land rent	-	2,000	-	-	2,000
Debt service	-	(30,430)	-	-	(30,430)
Net non-operating receipts (disbursements)	172	(28,088)	-	198	(27,718)
Excess of receipts over disbursements	74,428	37,577	729	7,435	120,169
Operating transfers out	(67,917)	-	-	-	(67,917)
Net change in cash balances	6,511	37,577	729	7,435	52,252
Cash balances beginning of year	99,113	171,966	983	60,534	332,596
Cash balances end of year	\$ 105,624	209,543	1,712	67,969	384,848
Cash Basis Fund Balances					
Restricted for debt service	\$ -	30,770	-	-	30,770
Unrestricted	105,624	178,773	1,712	67,969	354,078
Total cash basis fund balances	\$ 105,624	209,543	1,712	67,969	384,848

CITY OF GLADBROOK
Notes to Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies

The City of Gladbrook is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Gladbrook has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Gladbrook has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Solid Waste Disposal Commission, Tama County Joint E911 Service Board, Region Six Planning Commission and Tama County Economic Development Board.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

CITY OF GLADBROOK
Notes to Financial Statements (Continued)
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for projects financed by local option sales tax.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Water and Sewer Funds account for the operation and maintenance of the City's water and sewer systems.

CITY OF GLADBROOK
Notes to Financial Statements (Continued)
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The City Center accounts for the operation and maintenance of the City's movie theater and Matchstick Marvels museum.

The Fitness Center accounts for the operation and maintenance of the City's fitness center.

C. Measurement Focus and Basis of Accounting

The City of Gladbrook maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal law or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

CITY OF GLADBROOK

Notes to Financial Statements (Continued)

June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2 – Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Note 3 – Notes Payable

Annual debt service requirements to maturity for general obligation notes, a sewer revenue capital loan note and a rural economic development loan are as follows:

Year Ending June 30,	General Obligation Notes		Sewer Revenue Capital Loan Note		Rural Economic Development Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 48,500	5,510	23,000	7,770	20,000	-	91,500	13,280
2013	50,500	3,845	23,000	7,080	40,000	-	113,500	10,925
2014	52,500	1,560	24,000	6,390	40,000	-	116,500	7,950
2015	-	-	25,000	5,670	40,000	-	65,000	5,670
2016	-	-	25,000	4,920	40,000	-	65,000	4,920
2017-2021	-	-	139,000	12,750	180,000	-	319,000	12,750
Total	\$ 151,500	10,915	259,000	44,580	360,000	-	770,500	55,495

CITY OF GLADBROOK
Notes to Financial Statements (Continued)
June 30, 2011

Note 3 – Notes Payable (continued)

The sewer revenue capital loan note was issued for the purpose of defraying a portion of the costs of carrying out a sewer project of the City. The resolution providing for the issuance of the revenue note included the following provisions: (a) the note will only be redeemed from the future earnings of the enterprise activity fund and the note holders hold a lien on the future earnings of the fund, and (b) sufficient monthly transfers shall be made to a separate sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.

Note 4 – Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the city contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$9,233, \$9,041 and 8,101, respectively, equal to the required contributions for each year.

Note 5 – Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2011 was \$2,499, primarily relating to the General Fund. This liability has been computed based on rates of pay in effect at June 30, 2011.

Note 6 – Risk Management

The City of Gladbrook is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7 – Related Party Transactions

The City had business transactions between the City and City officials totaling \$58,073 during the year ended June 30, 2011.

CITY OF GLADBROOK
Notes to Financial Statements (Continued)
June 30, 2011

Note 8 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 202,100
	Special Revenue:	
	Local Option Sales Tax	34,755
	Urban Renewal Tax Increment	<u>19,402</u>
		256,257
General	Special Revenue:	
	Local Option Sales Tax	25,633
	Employee Benefits	18,281
	Emergency Services	<u>6,030</u>
		49,944
Special Revenue:	Special Revenue:	
Road Use Tax	Employee Benefits	2,916
	General	<u>8,600</u>
		11,516
Capital Projects	General	10,000
	Proprietary Fund:	
	Water	<u>67,917</u>
		<u>77,917</u>
Total		<u>\$ 395,634</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 9 – Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect fund type reclassifications are as follows:

	General	Special Revenue	
		Museum	Recreational Trust
Balance at June 30, 2010, as previously reported	\$ 605,131	2,056	2,654
Change in fund type classification per implementation of GASB Statement No. 54	4,710	(2,056)	(2,654)
Balance at July 1, 2010, as restated	<u>\$ 609,841</u>	<u>-</u>	<u>-</u>

Note 10 – Date of Management Evaluation

The City has evaluated subsequent events through September 2, 2011, the date which financial statements were available to be issued.

Required Supplementary Information

CITY OF GLADBROOK

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances-Budget and Actual (Cash Basis)

All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 281,095	-
Tax increment financing	19,402	-
Other city tax	67,317	-
Intergovernmental	205,496	-
Licenses and permits	785	-
Charges for service	32,610	471,903
Use of money and property	5,864	2,712
Special assessments	1,059	-
Miscellaneous	46,442	-
Total receipts	<u>660,070</u>	<u>474,615</u>
Disbursements:		
Public safety	126,910	-
Public works	110,478	-
Health and social services	-	-
Culture and recreation	48,313	-
Community and economic development	8,244	-
General government	70,232	-
Debt service	304,930	-
Capital projects	183,818	-
Business type activities	-	354,446
Total disbursements	<u>852,925</u>	<u>354,446</u>
Excess (deficiency) of receipts over (under) disbursements	(192,855)	120,169
Other financing sources, net	<u>428,917</u>	<u>(67,917)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	236,062	52,252
Balances beginning of year	<u>676,991</u>	<u>332,596</u>
Balances end of year	<u>\$ 913,053</u>	<u>384,848</u>

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
281,095	269,723	269,723	11,372
19,402	16,347	16,347	3,055
67,317	62,974	62,974	4,343
205,496	136,903	218,371	(12,875)
785	2,150	1,785	(1,000)
504,513	473,280	518,426	(13,913)
8,576	5,900	7,983	593
1,059	-	1,059	-
46,442	8,100	12,548	33,894
1,134,685	975,377	1,109,216	25,469
126,910	148,357	163,357	(36,447)
110,478	127,345	148,318	(37,840)
-	1,109	5,404	(5,404)
48,313	50,460	51,382	(3,069)
8,244	24,023	15,000	(6,756)
70,232	71,461	73,302	(3,070)
304,930	103,046	305,146	(216)
183,818	10,000	276,141	(92,323)
354,446	346,323	400,274	(45,828)
1,207,371	882,124	1,438,324	(230,953)
(72,686)	93,253	(329,108)	256,422
361,000	-	360,030	970
288,314	93,253	30,922	257,392
1,009,587	892,383	926,159	83,428
1,297,901	985,636	957,081	340,820

CITY OF GLADBROOK

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$566,200. The budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

CITY OF GLADBROOK
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2011

	Special Revenue		
	Urban Renewal Tax Increment	Employee Benefits	Emergency Services
Receipts:			
Property tax	\$ -	14,166	5,885
Tax increment financing	19,402	-	-
Other city tax	-	352	145
Intergovernmental	-	-	-
Use of money and property	-	-	-
Miscellaneous	-	-	-
Total receipts	19,402	14,518	6,030
Disbursements:			
Operating:			
Culture and recreation	-	-	-
Total disbursements	-	-	-
Excess of receipts over disbursements	19,402	14,518	6,030
Other financing uses:			
Operating transfers out	(19,402)	(21,197)	(6,030)
Net change in cash balances	-	(6,679)	-
Cash balances beginning of year	-	6,679	-
Cash balances end of year	\$ -	-	-
Cash Basis Fund Balances			
Restricted for other purposes	\$ -	-	-
Total cash basis fund balances	\$ -	-	-

Library	Total
-	20,051
-	19,402
-	497
874	874
233	233
2,170	2,170
3,277	43,227

1,490	1,490
1,490	1,490
1,787	41,737
-	(46,629)
1,787	(4,892)
14,197	20,876
15,984	15,984

15,984	15,984
15,984	15,984

CITY OF GLADBROOK
Schedule of Indebtedness
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Storm sewer improvement	Mar 15, 2001	5.25%	\$ 128,000
Corporate purpose	Aug 1, 2004	3.95%	413,643
Corporate purpose	Aug 17, 2009	5.25%	250,000
Total			
Rural Economic Development Loan	Nov 22, 2010	0.00%	\$ 360,000
Sewer revenue capital loan note:			
Sewer improvement	Sept 15, 2001	3.00%	\$ 706,000

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$	15,943	-	15,943	-	643	-
	198,000	-	46,500	151,500	7,378	-
	227,995	-	227,995	-	6,484	-
\$	441,938	-	290,438	151,500	14,505	-
\$	-	360,000	-	360,000	-	-
\$	281,000	-	22,000	259,000	8,430	-

CITY OF GLADBROOK

Bond and Note Maturities

June 30, 2011

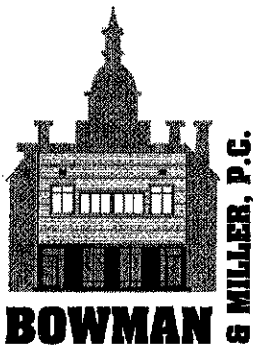
	General Obligation Note Corporate Purpose		Rural Economic Development Loan	
Year Ending June 30,	Issued August 1, 2004		Issued November 22, 2010	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2012	3.95 %	\$ 48,500	0.00 %	\$ 20,000
2013	3.95	50,500	0.00	40,000
2014	3.95	52,500	0.00	40,000
2015		-	0.00	40,000
2016		-	0.00	40,000
2017		-	0.00	40,000
2018		-	0.00	40,000
2019		-	0.00	40,000
2020		-	0.00	40,000
2021		-	0.00	20,000
Total		\$ 151,500		\$ 360,000

	Revenue Note Sewer Improvement		
Year Ending June 30,	Issued September 15, 2001		
	Interest		Total
	Rates	Amount	
2012	3.00 %	\$ 23,000	\$ 91,500
2013	3.00	23,000	113,500
2014	3.00	24,000	116,500
2015	3.00	25,000	65,000
2016	3.00	25,000	65,000
2017	3.00	26,000	66,000
2018	3.00	27,000	67,000
2019	3.00	28,000	68,000
2020	3.00	29,000	69,000
2021	3.00	29,000	49,000
Total		\$ 259,000	\$ 770,500

CITY OF GLADBROOK
Schedule of Receipts By Source and Disbursements by Function-
All Governmental Funds
For the Last Ten Years

	2011	2010	2009	2008
Receipts:				
Property tax	\$ 281,095	217,790	224,783	216,960
Tax increment financing	19,402	17,435	17,422	19,773
Other city tax	67,317	65,949	65,650	64,704
Intergovernmental	205,496	159,381	149,883	532,978
Licenses and permits	785	515	701	260
Charges for service	32,610	42,671	40,164	44,710
Use of money and property	5,864	4,575	11,058	16,357
Special assessments	1,059	2,684	573	3,423
Miscellaneous	46,442	109,300	35,869	25,378
Total	\$ 660,070	620,300	546,103	924,543
Disbursements:				
Operating:				
Public safety	\$ 126,910	116,411	174,666	172,034
Public works	110,478	117,911	126,280	159,858
Health and social services	-	-	-	-
Culture and recreation	48,313	50,112	49,445	51,767
Community and economic development	8,244	7,353	32,868	23,766
General government	70,232	68,726	66,702	56,457
Debt service	304,930	102,860	70,613	70,741
Capital projects	183,818	338,345	20,225	375,298
Total	\$ 852,925	801,718	540,799	909,921

2007	2006	2005	2004	2003	2002
212,379	194,340	192,653	173,949	177,067	153,517
24,578	23,773	42,104	-	715	61,823
64,725	52,884	43,307	46,026	-	-
145,859	125,569	126,178	205,263	130,053	179,367
410	758	893	1,010	2,448	2,253
38,486	36,477	23,166	6,539	17,041	13,108
13,873	11,503	6,957	17,104	9,441	19,515
1,620	-	15,127	-	-	575
14,375	13,784	26,523	55,149	422,490	337,537
516,305	459,088	476,908	505,040	759,255	767,695
165,539	109,181	88,359	146,763	82,585	194,385
108,031	97,212	99,973	100,335	102,955	81,614
-	-	-	260	103	31
46,052	41,642	56,019	44,434	37,934	39,474
25,718	14,379	20,572	71,212	24,184	53,438
51,588	51,783	56,019	73,800	53,600	42,681
70,819	70,909	87,020	39,218	39,218	128,188
-	-	24,251	464,341	420,061	493,925
467,747	385,106	432,213	940,363	760,640	1,033,736



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Gladbrook, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 2, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gladbrook's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gladbrook's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Gladbrook's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Gladbrook's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Gladbrook's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operation for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Gladbrook's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Gladbrook's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Gladbrook and other parties to whom the City of Gladbrook may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Gladbrook during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

Marshalltown, Iowa
September 2, 2011

CITY OF GLADBROOK
Schedule of Findings
Year ended June 30, 2011

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF GLADBROOK
Schedule of Findings
Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-11 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting.
- (2) Disbursements - check writing, signing, and reconciling.
- (3) Payroll preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. In instances where it is not possible to segregate duties, the City should utilize administrative personnel to provide additional internal control through review of financial transactions and reports.

Response – The noted areas will be reviewed to identify duties that could be handled by other personnel or council members.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-11 Certified Budget -- Disbursements during the year ended June 30, 2011, did not exceed the amounts budgeted.

III-B-11 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 24, 1979.

III-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF GLADBROOK
Schedule of Findings
Year ended June 30, 2011

Part III: Other Findings Related to Required Statutory Reporting (continued):

III-D-11 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Roger Luehring, Council Member and Mike Bearden, spouse of the City Clerk Shareholders in Clapsaddle-Garber and Associates	Engineering services	<u>\$ 58,073</u>

The transaction does not appear to represent a conflict of interest since it was entered into through a competitive selection process in accordance with Chapter 362.5(4) of the Code of Iowa.

III-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-11 Deposits and Investments – Except as noted below, we noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

A time certificate of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee. Public fund time certificates of deposit when renewed shall be renewed at a rate of interest which conforms with current rates for public funds on date of renewal.

Recommendation – The City should seek reimbursement of the additional interest due on this certificate of deposit.

Response – We will contact the bank and seek reimbursement for the interest.

Conclusion – Response accepted.

III-H-11 Revenue Notes – The City was in compliance with all applicable revenue note provisions:

III- I -11 Transfer – The transfer from the General Fund to the Special Revenue, Road Use Tax Fund was not approved by the City Council.

Recommendation – All transfers should be approved by the City Council.

Response – The City Council retroactively approved the transfer and we will in the future approve the transfers before they are made.

Conclusion – Response accepted.

CITY OF GLADBROOK

Staff

This audit was performed by:

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